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SIPDIS

STATE FOR AF/S and AF/EX
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[E. O. 12958](#): N/A
TAGS: [ECON](#) [EINV](#) [PGOV](#) [ZI](#)
SUBJECT: Still Otherworldly Economic Policy

[1](#)1. Summary: Past-week events affirm the GOZ is still committed to self-destructive economic policies. We observe no GOZ reckoning of the economy's sorry state. End Summary.

New Farm/Conservancy Acquisitions

[1](#)2. Even while the so-called Utete Commission is supposedly producing a roadmap to straighten out land reform, the chaotic process lurches forward. The GOZ continues to list new properties for acquisition. Many new listings are nature conservancies, which hold zero potential for crop farming. Meanwhile, political elites are scurrying to hide their multiple acquisitions behind relatives, protecting themselves from imposition of a one man/one farm policy.

Banknote Shortage

[1](#)3. The Government continues to scapegoat any convenient group for its inflation-driven banknote shortage. Yesterday, the official press fingered Asian business owners. The GOZ refuses to own up to the effects of inflation on the M1 supply and print larger bills. Instead, the Government wastes time and money producing useless new travelers checks in larger denominations with ridiculous fanfare. Checks were the lead story in yesterday's Herald and subject of two - count `em - Herald commentaries today, insisting that checks are "ushering in a new era in the financial sector."

Daft Propaganda

[1](#)4. Yesterday's Herald also carried an article: "Zimbabwe Maintains Glitter as Investment Destination." The piece rejoices: "The current trend indicates that Zimbabwe is one country which will produce positive figures this year." FDI has declined from US\$ 444 to 3 million in six years.

Interest Rate Debate

[1](#)5. President Mugabe and other GOZ thinkers still argue that the GOZ needs to reduce interest rates to spur growth. With real rates currently 300-percent negative and inflation spiraling out of control, this is economic heresy. Zimbabweans' best investment remains borrowing and converting to forex.

Please Don't Pay Us

[1](#)6. Exporters tell us they are urging foreign customers to withhold payment. At present, half of export revenue must be exchanged with the Reserve Bank at Z\$824:US\$1, twenty percent of the Z\$4200:US\$1 market rate. In hope the GOZ will boost this unreasonable official rate (it increased from Z\$55 to 824:US\$1 in February), exporters often stupefy customers by insisting that they delay payment.

Comment

[1](#)7. As we have stated in the past, we do not believe the GOZ will embark on genuine economic reform until it comes to terms with the mass impoverishment its policies have wrought. Many higher-ups admit to us privately that the Government is destroying the economy, but almost none are willing to confront Mugabe or go public.

Whitehead